

WASHINGTON, D.C. - U.S. Rep. Charlie Melancon voted today in support of legislation creating a non-taxpayer-financed Affordable Housing Fund that will dedicate an estimated \$600 million to the construction of affordable housing in areas of Louisiana and Mississippi still recovering from Hurricane Katrina. The bill also restores accountability to the Fannie Mae and Freddie Mac mortgage-funding enterprises through stronger oversight and an independent regulator. May 22, 2007
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WASHINGTON, D.C. - U.S. Rep. Charlie Melancon voted today in support of legislation creating a non-taxpayer-financed Affordable Housing Fund that will dedicate an estimated \$600 million to the construction of affordable housing in areas of Louisiana and Mississippi still recovering from Hurricane Katrina. The bill also restores accountability to the Fannie Mae and Freddie Mac mortgage-funding enterprises through stronger oversight and an independent regulator.

"Katrina and Rita wiped out hundreds of thousands of homes in south Louisiana, causing housing costs to shoot through the roof," said Rep. Melancon. **"Many people who want to return home or move out of their FEMA trailers into more permanent housing can't afford to do so. This bill will jumpstart affordable housing construction in hurricane-affected areas with a \$600 million shot of adrenaline. I urge the Senate to swiftly pass this bill so we can move forward with helping our people finally return home."**

The Housing Finance Reform Act/Affordable Housing Fund (H.R. 1427) creates a non-taxpayer-financed Affordable Housing Fund, to be financed by required contributions from Fannie Mae and Freddie Mac, which will help meet the critical shortage of affordable housing across the country. In the first year, grants from the fund would be solely dedicated to the Katrina-stricken areas of Louisiana and Mississippi. Included in the bill are strict accountability standards and clear guidelines governing the use of the housing grants.

Rep. Melancon worked with the bill's authors to ensure that Louisiana would receive 75% of the housing grants, in keeping with the state's much higher proportion of damage. Rep. Melancon also encouraged the bill's authors to distribute the housing grants through the Louisiana Housing Finance Agency, the state agency that helps low- and moderate-income Louisianians with their housing needs through partnerships with banks, lending institutions, and developers to make housing more affordable.

The Housing Finance Reform Act/Affordable Housing Fund (H.R. 1427) also addresses

problems exposed by the high-profile accounting scandals at Freddie Mac and Fannie Mae in recent years. In January 2003, Freddie Mac accountants discovered that the company had accounting problems and the company eventually had to reduce their declared earnings by \$5 billion. In June 2003, the top three executives at Freddie Mac were dismissed. Similarly, in 2005, accounting irregularities at Fannie Mae came to light. Fannie Mae ended up having to restate some \$12 billion in past earnings. In the wake of the news, both the CEO and CFO of Fannie Mae were removed.

This bill would substantially strengthen the oversight of Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks, collectively referred to as the housing government-sponsored enterprises (GSEs). The bill creates a strong, independent regulator of Fannie Mae and Freddie Mac, with broad powers comparable to those of federal bank regulators.

Specifically, the Housing Finance Reform Act/Affordable Housing Fund will:

- **Establish a non-taxpayer-financed Affordable Housing Fund.** The bill creates a non-taxpayer-financed Affordable Housing Fund, to be financed by required contributions from Fannie Mae and Freddie Mac. The Congressional Budget Office estimates the fund will be about \$600 million a year. Under the bill, Fannie Mae and Freddie Mac are required to contribute 1.2% of their total outstanding mortgages each year. This fund will be able to dedicate hundreds of millions of dollars for the construction, maintenance and preservation of affordable housing nationwide over the next five years.

In the first year, grants from the fund would go the Katrina-stricken areas of Louisiana and Mississippi.

In the following four years, grants would be allocated by formula to states, with 100% of the funds to be used for the benefit of very low-income families.

- **Create a strong, independent regulator of Fannie Mae, Freddie Mac, and Federal Home Loan Banks.** To guard against the kinds of financial reporting and management problems experienced by the housing GSEs in recent years, the bill creates a new independent agency - the Federal Housing Finance Agency - to regulate Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. This new agency unifies supervision of the housing GSEs in a single agency that will oversee their safe and sound operations as well as their mission functions. The new regulator will have broad safety and soundness authority and powers comparable to those of federal bank regulators. The bill gives the regulator critical safety and soundness oversight powers, including enhanced authority with respect to capital, portfolio review, and new products.

· **Enhance the housing mission of Fannie Mae, Freddie Mac, and Federal Home Loan Banks.** The bill enhances the ability of the GSEs to achieve their housing mission, by raising single family loan limits in high cost areas, improving the income targeting of affordable housing goals, and establishing a duty to serve underserved markets which include manufactured housing, housing preservation, and rural housing.

This measure is a bipartisan bill, with support from President Bush and a long list of financial institutions and housing groups. This bill was passed by the House Financial Services Committee by a bipartisan vote of 45 to 19 (with 13 Republicans joining 32 Democrats to report the bill). In addition, Chairman Barney Frank worked closely with the Treasury Department in drafting the bill. The bill also has the support of a wide cross-section of financial institutions, lenders, housing industry participants, housing groups and other service providers.

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